

GREEN DIAMOND RESOURCE COMPANY

**CALIFORNIA TIMBERLANDS
MASTER LAND USE PERMIT**

This MASTER LAND USE PERMIT Agreement (the "Permit") is made by and between **GREEN DIAMOND RESOURCE COMPANY**, a Washington corporation (hereinafter "Green Diamond") and **McKinleyville Community Services District** (hereinafter "Permittee").

1. GRANT OF PERMISSION AND PERMIT AREA

In consideration of Permittee's promises contained in this Permit, Green Diamond hereby grants to Permittee the non-exclusive permission to enter and use, subject to the terms and conditions hereof, Green Diamond's property located in the vicinity of the Mather Tract within the Korbel Operating Area, including permitted access routes to and from such property, more specifically shown in Exhibit A, attached hereto and incorporated herein by this reference (the "Permit Area"). Permittee shall acquaint itself with and confine the Activities within the Permit Area boundaries, and shall be responsible and liable for any trespass outside such boundaries that occurs as a result of the Activities.

2. PERMITTED USE

The Permit Area and any existing improvements in the Permit Area may be used by Permittee solely for the purpose(s) described in Exhibit B, Section I (the "Activities"). Permittee is solely responsible for the cost of the Activities including the maintenance, removal, and (when permitted) installation of improvements in the Permit Area. Unless otherwise authorized herein, before installing new improvements to the Permit Area, Permittee shall obtain Green Diamond's written approval of a written proposal to install such improvements in the Permit Area.

3. PERMIT TERM

The term of this Permit shall commence on **May 15, 2012**, and shall expire on **December 31, 2012** unless the Permit is earlier terminated or extended in accordance with the terms hereof.

4. RESERVATION OF RIGHTS

A. This Permit and Permittee's privileges hereunder are personal and shall not be assigned, in whole or in part, without the express written consent of Green Diamond, which may grant or deny such consent within its sole discretion.

B. Permittee will never assail or resist Green Diamond's title or claim any interest or estate whatever in the Permit Area by virtue of this Permit or the exercise or privileges given hereunder.

C. By acceptance of this Permit, Permittee acknowledges that the Permit Area and Green Diamond's property surrounding the Permit Area are commercial timberland, and Green Diamond manages its property for timber production including, but not limited to, harvesting, slash burning, and herbicide application. Permittee shall exercise its privileges under this Permit so as to avoid any interference with Green Diamond's use of its own property as commercial timberland or with the exercise by other permittees of privileges that Green Diamond may give them in the Permit Area. Permittee further agrees that Permittee will not object to any lawfully conducted timber harvesting, management activities and/or development of property carried out by Green Diamond or its agents, other permittees, lessees, contractors, successors, or assigns.

D. The privileges granted herein to Permittee are given expressly subject to existing encumbrances, regulatory requirements, and other matters of record affecting the privileges in any manner whatsoever. Green Diamond does not warrant that it has authority to permit the Activities on behalf of any third party and Permittee shall secure all other permits, privileges or rights required for the lawful conduct of the Activities. Green Diamond does not warrant title to the Permit Area and shall not be liable for defects thereto or failure thereof.

E. Green Diamond makes no representation as to the present or future conditions of the Permit Area and its fitness for the Activities under this Permit. Permittee accepts this Permit subject to all danger or injury to persons and damages or destruction to property while Permittee is on or about the Permit Area. In this regard, Permittee assumes all risk of injury or death to individuals who are on the Permit Area pursuant to this Permit and all risk of damage to property upon or in proximity to the Permit Area with Permittee's knowledge or consent, without regard to whether such injury or damage is occasioned by known or unknown, hidden or disclosed defects in the Permit Area or by the negligence of Green Diamond or any person in the employ or service of Green Diamond.

F. Green Diamond reserves the right to enter and inspect the Permit Area at any time.

5. GENERAL CONDITIONS FOR USE OF THE PERMIT AREA

A. Permittee shall not perform any disorderly conduct or commit any nuisance on the Permit Area, and shall maintain the Permit Area in an orderly, clean and sanitary manner as required by Green Diamond. Permittee shall carry on all Activities in the Permit Area in a careful manner and shall comply, at Permittee's expense, with all laws, regulations and permits of any municipal, state, or federal authority that are applicable to Permittee's activities. Permittee's agreement to comply shall include any programmatic or generally applicable local, state or federal government regulatory permits held by Green Diamond and applicable to the Permit Area, including, without limitation, incidental take permits held by Green Diamond. Green Diamond reserves the right to require Permittee to take affirmative steps to review and comply with permits noticed by Green Diamond and to promptly comply when Green Diamond requests specific action to conform the Activities with the requirements of a permit noticed to Permittee.

B. Permittee shall keep the Permit Area free from any liens or encumbrances arising out of any work performed by Permittee, materials furnished by Permittee, or obligations incurred by Permittee. Green Diamond shall have the right to pay and discharge any lien imposed against Green Diamond's property due to Permittee's breach of the aforesaid covenant. Permittee shall reimburse Green Diamond for the amount so paid, including the reasonable expenses of Green Diamond in connection therewith, within thirty (30) days of receiving notice from Green Diamond of any such payment with interest thereon at the rate of seven (7) percent per annum from the date of payment thereof by Green Diamond until the repayment thereof by Permittee. If Green Diamond shall exercise the option to make such payments, it shall not be obligatory on Green Diamond to inquire into the validity of any such lien unless Permittee shall have given notice to Green Diamond that said lien was being challenged and shall have furnished to Green Diamond the bond of a surety company or other security satisfactory to Green Diamond, in an amount satisfactory to Green Diamond, securing Green Diamond against the payment of the lien so contested and against any loss, damage, or penalty arising from Permittee's failure to pay it.

C. Permittee shall promptly report to Green Diamond any violations of any laws, regulations, or permits relating to the Activities of which Permittee has knowledge and shall promptly send to Green Diamond a copy of any notice of violation received by Permittee that relates to the Activities. A copy of all citations or other written documents Permittee receives from any agency shall accompany the notice of violation.

D. Permittee shall take reasonable care to prevent wildfires from igniting on or spreading onto the Permit Area. If a wildfire should occur on or near the Permit Area, Permittee shall immediately notify Green Diamond and appropriate government agencies and shall make any on-site equipment available to help suppress or contain the fire. Permittee shall comply with all fire prevention and suppression measures that Green Diamond may specify from time to time relating to Permittee's use of the Permit Area. Permittee shall comply with all applicable state fire safety standards including requirements (if any) to maintain special equipment in vehicles. Permittee shall reimburse Green Diamond for all damages (including loss or damage to timber, and fire suppression costs) resulting from wildfires caused by Permittee's activities, even if not attributable to negligence by Permittee or its agents.

E. In the event of dangerous fire weather, possible damage to roads, or potential or actual interference with Green Diamond's operations, Green Diamond shall notify Permittee's representative and Permittee shall immediately suspend the Activities or take steps to remedy the situation as Green Diamond may direct.

F. Permittee agrees to cease using vehicles on Green Diamond's roads, during the period from May 15th to October 15th, when weather conditions make driving hazardous or may have a detrimental impact to the environment including, but not limited to, the occurrence of rain in sufficient quantity and duration that driving would result in rutting and deformation of the road surface, degradation of water bars, or tracking of mud onto public roadways.

G. Permittee agrees to use only ATVs on unsurfaced seasonal roads during the winter period. The winter period is defined as the period from October 16th through May 14th. Any damage caused to drainage or erosion control structures by using ATVs on any road will be repaired by Permittee immediately following damage. Exceptions need prior written approval of Green Diamond.

H. Permittee shall not unnecessarily damage trees or other vegetation while conducting the Activities, and shall not cut trees.

I. Unless otherwise permitted herein, the Activities shall be confined to normal business hours.

J. Permittee shall obey all posted traffic and speed regulations on Green Diamond's roads.

K. If any portion of the Permit Area requires access through a locked gate owned or maintained by Green Diamond, Green Diamond shall issue Permittee copies of key(s) needed to open gates for the Activities herein. Permittee shall not copy the key(s) provided by Green Diamond unless permitted to do so in writing by Green Diamond. Permittee shall return any key(s) that has been so issued at the termination or expiration of this Permit. Permittee shall pay a one hundred dollar (\$100) fee per key for any key(s) that is not so returned. Permittee shall keep gates closed and locked unless otherwise instructed by a Green Diamond representative.

L. Unless otherwise waived in writing by Green Diamond, Permittee shall, at the time this Permit is executed, provide Green Diamond with (1) the names and addresses of all individuals to enter the Permit Area; (2) a list of the license plate numbers; and (3) a description of the vehicles used for entry to the Permit Area. To the extent it is not feasible to provide any of the information required at the time the Permit is executed, then Permittee shall provide any missing information prior to commencement of the Activities. Any amendments or updates to the Information shall be supplied as soon as known to the Administrative Forester at

Attn: Administrative Forester
Green Diamond Resource Co.
P.O. Box 68
Korbel, CA 95550-0068

Permittee shall keep its copy of the completed Vehicle Authorization form, attached as Exhibit C, displayed on the dashboard in any vehicle used to access the Permit Area. Green Diamond waives these requirements for road use-only permits.

6. INDEMNITY

A. Permittee shall, to the fullest extent permitted by law, indemnify, defend, and hold harmless Green Diamond and its agents, contractors, successors, or assigns from and against any and all liability for damages, costs, losses, and expenses resulting from, arising out of, or in any way connected with the occupation or use of the Permit Area by Permittee or anyone else entering the Permit Area at Permittee's direction or invitation, or the failure on the part of Permittee to perform fully its promises contained herein. This indemnity obligation shall apply whether such liability is caused by or contributed to by Green Diamond or any other party indemnified herein, unless caused by the sole active negligence or willful misconduct of Green Diamond.

B. In any and all claims against Green Diamond by any employee of Permittee, any contractor, anyone directly or indirectly employed by any of them, or anyone for whose acts any of them may be liable, Permittee's indemnification obligation shall not be limited in any way by any limitation on the amount or type of damage, compensation, or benefits payable by or for Permittee or any contractor under any industrial insurance act, workers' compensation act, disability benefit act, or other employee benefit act, and Permittee hereby expressly waives any immunity it may have under such acts to the extent necessary or permitted under the law to assure the validity and enforceability by Green Diamond of Permittee's aforesaid indemnification obligation.

7. HAZARDOUS MATERIALS

In the event of a spill or release of Hazardous Materials, Permittee shall promptly comply with all federal, state, and local spill notification and response requirements and shall notify Green Diamond of the spill event. Permittee shall be responsible for the response and restoration costs of any release of Hazardous Materials in connection with the Permit, and shall indemnify, defend, and hold harmless Green Diamond from any liability arising from claims or damages in connection with such release. "Hazardous Materials" shall mean any pollutant, contaminant, chemical, or hazardous, toxic or dangerous waste, substance, chemical, or material, or any other substance or material regulated or controlled pursuant to any environmental laws now or at any time hereafter in effect.

8. INSURANCE

Unless otherwise provided in Exhibit B, Permittee, at its expense, shall procure insurance with companies satisfactory to Green Diamond covering Permittee against risks and with minimum limits as indicated below:

A. If applicable, Workers' Compensation (statutory amount) and Employer's Liability (\$1,000,000).

B. General Liability insurance of \$1,000,000 combined single limit Bodily Injury and Property Damage each occurrence. Extensions of coverage to include Contractual Liability, Products/Completed Operations, Cross Liability, and Pollution arising out of heat, smoke or fumes from Hostile Fires. Additionally, the policy shall not exclude X, C or U (Explosion, Collapse, or Underground).

C. Automobile Liability insurance with minimum limits of \$1,000,000 per occurrence combined single limit of Bodily Injury and Property Damage coverage. Coverage shall extend to all owned, hired, or non-owned vehicles.

D. The policies specified in 8.B. and 8.C. above shall include an endorsement which shall name Green Diamond and its employees, officers, directors and agents as additional insureds for the duration of the Permit term. The additional insured endorsement must be ISO CG20 26 11 85 (or other form with like wording). Additional insured status gives the additional insured rights of indemnity under the policies that are independent of the contractual requirement to indemnify.

E. The policies specified in 8.A., 8.B., and 8.C. above shall include an endorsement which shall provide that Green Diamond be given a thirty (30)-day written notice prior to cancellation or material change to the policy.

F. All liability coverage must be on an "occurrence" basis as opposed to "claims made."

G. Grantee hereby waives any subrogation claim against Grantor by its insurers under the policies specified in subsections 8.A, 8.B and 8.C above, for damages arising from any peril insured against under such policies. If necessary, the policies specified in subsections 8.A, 8.B and 8.C above shall include an endorsement allowing this waiver of subrogation claims.

H. All insurance shall be in a form sufficient to protect Permittee against the claims of third persons, and to cover claims by Green Diamond against Permittee or other parties for which Permittee has assumed liability under this Permit.

I. Prior to the commencement of the Activities, Permittee shall furnish Green Diamond a certificate(s) of insurance, dated and signed by a stated, authorized agent for the insuring company or companies, in a form acceptable to Green Diamond and containing a representation that coverage of the types listed above is provided with the required limits. Green Diamond reserves the right to require a certified copy of the policy(ies) or to examine the actual policy(ies).

9. NOTICE

Any notice required or permitted to be delivered hereunder shall be in writing and shall be deemed given and received when personally delivered or three (3) days after deposit in the United States Mail, postage prepaid, Certified or Registered Mail, Return Receipt requested, addressed to Permittee or Green Diamond, as the case may be, to the following address:

If to Permittee:

Attn: Gregory Orsini
Operations Director
McKinleyville Community Services District
P.O. Box 2037
McKinleyville, CA 95519
Tel: (707) 839-3251

If to Green Diamond:

Attn: Administrative Forester
Green Diamond Resource Co.
P.O. Box 68
Korbel, CA 95550-0068
Tel: (707) 668-4479

10. INTERPRETATION

A. This Permit shall be governed by and construed in accordance with the laws of the State of California, without regard to the conflicts of law principles of such state.

B. A party's waiver of any right hereunder or of any other party's breach or failure to perform shall not be deemed a waiver of any other right hereunder or of any other breach or failure by the other party, whether of a similar nature or otherwise.

C. If any term or condition of this Permit is found unenforceable, the remaining terms and conditions will remain binding upon the parties as though said unenforceable provision were not contained herein.

D. Terms and conditions of this Permit which, by their sense and context, survive the termination, cancellation, or expiration of this Permit, including, but not limited to, Permittee's obligations under Sections 6, 7, 8 and 11, shall so survive.

E. This Permit constitutes the entire agreement of the parties with respect to the matters described herein and supersedes all prior written or oral negotiations or agreements with respect thereto. Each party to this Permit acknowledges that no representations, inducements, promises, or agreements, orally or otherwise, have been made by either party, or anyone acting on behalf of either party, which are not embodied herein, and that no other agreement, statement or promise not contained in this Permit shall be valid or binding. Any modification of this Permit will be effective only if it is in writing signed by both parties, and the amended Permit remains subject to the enforcement provisions of this Permit.

F. This Permit shall bind and inure to the benefit of the successors, personal representatives, and permitted assignees of the respective parties.

G. Each of the parties hereto has been or has had the opportunity to be represented, to the extent desired, by legal counsel of its choice in respect to this transaction. No provision of this Permit shall be construed against one party as the drafter of the Permit for that provision.

11. ENFORCEMENT

A. If an action is instituted to enforce any of the terms, covenants, conditions or agreements contained in this Permit or if an action is commenced because of any breach hereof, then the prevailing party in such action shall be entitled to all of its costs and reasonable attorneys' fees as fixed by the trial and appellate courts in said action.

B. Permittee and Green Diamond hereby expressly and irrevocably waive all right to a trial by jury in any action, proceeding, claim, counterclaim or other litigation arising out of or relating to the Permit or any of the activities or events referenced in this Permit.

12. EXECUTION

A. Unless otherwise provided herein, this Permit shall be effective on the last date of execution by the undersigned parties. This Permit shall not be binding upon either Party until approved and signed by each Party.

B. Each of the undersigned represents that they have sufficient authority to execute this binding Permit on behalf of the party they represent.

C. This Permit may be executed in one or more counterparts, each of which shall be deemed an original and all of which counterparts together shall constitute the same instrument, which may be sufficiently evidenced by one counterpart.

IN WITNESS WHEREOF the parties hereto have caused this instrument to be executed as below subscribed.

THE TERMS OF THIS PERMIT ARE HEREBY ACCEPTED.

PERMITTEE

By:

Norman Shopay

Print:

Norman Shopay

Title:

General Manager

Date:

May 31, 2012

GREEN DIAMOND RESOURCE COMPANY

By:

Neal D. Ewald

Print:

Neal D. Ewald

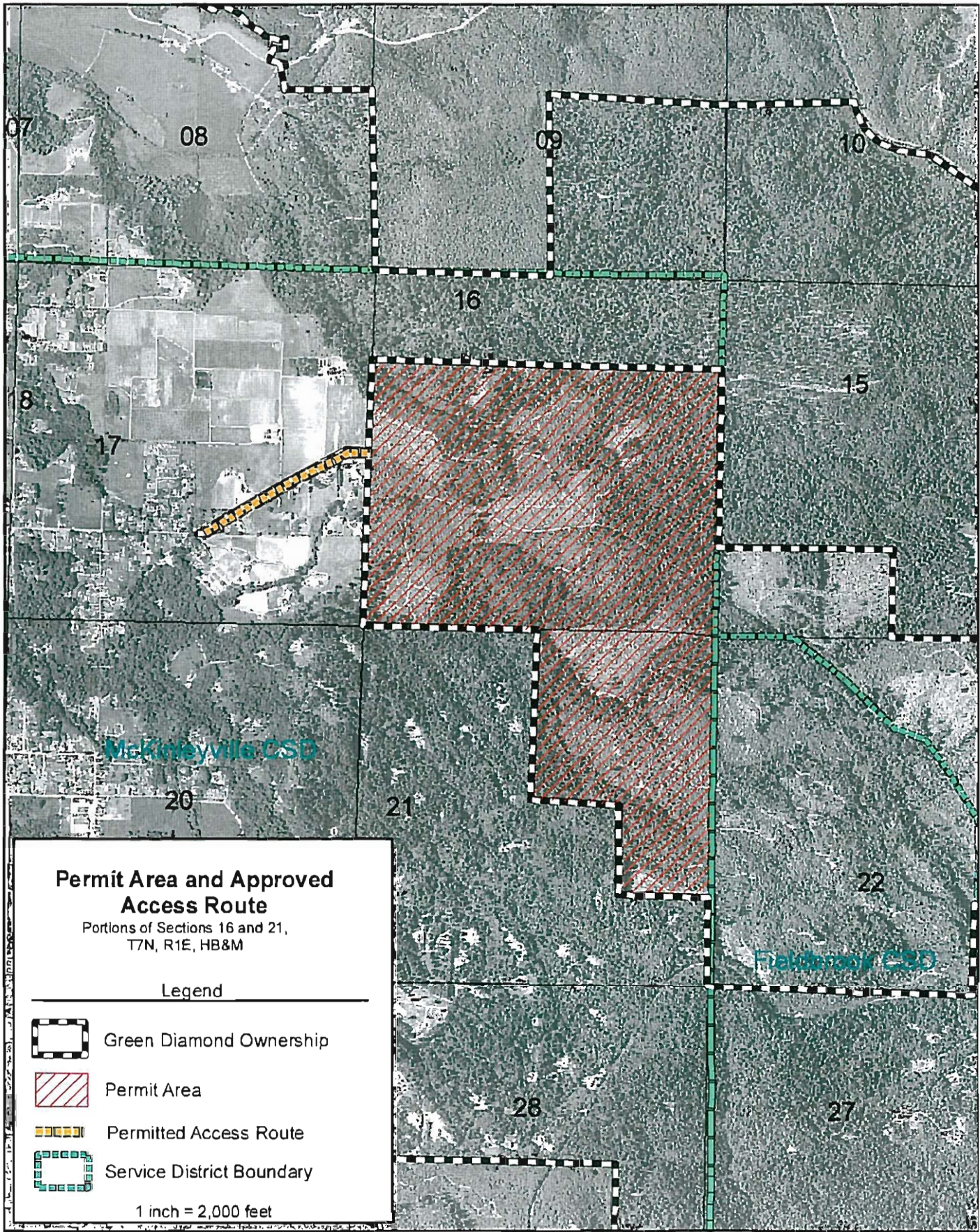
Title:

Vice President and General Manager,
California Timberlands

Date:

6/5/12

EXHIBIT A



GREEN DIAMOND RESOURCE COMPANY

EXHIBIT B
COMMERCIAL EXPLORATION, EVALUATION OR DUE DILIGENCE ACTIVITIES
CALIFORNIA TIMBERLANDS

I. **Permitted Activities.** The Activities authorized by this Permit are carrying out the evaluation, appraisal or due diligence activities on the property described in Exhibit A (the "Permit Area") and any necessary vehicular ingress to and egress from the Permit Area on the roads identified by Green Diamond. The Permitted Activities include drilling test wells in accordance with applicable federal, state, and local law and at Permittee's cost. All drilling waste and by-products shall be handled and disposed of by Permittee in accordance with applicable law.

II. **Permitted Parties.** The entry permission herein shall extend only to the Permittee, its employees, agents, appraisers or other contractors involved in the Activities, and they shall collectively be described as "Permittee."

III. **Conditions Specifically Relating to Activities.**

A. Permittee represents that it or its contractor is experienced and competent in performing the Activities. Permittee shall carry on all Activities in a diligent, workmanlike manner in accordance with the highest standards and practices recognized in the industry.

B. Permittee agrees to provide and pay for all labor, equipment, materials and supplies to complete the Activities.

C. If the Activities include appraisal of Green Diamond's property, Permittee shall perform the Activities using a professional appraiser who is qualified to perform an appraisal under the Uniform Standards of Professional Appraisal Practice. When Permittee has retained a qualified professional appraiser for the purpose of appraising the property, Permittee shall provide Green Diamond with written notice of the name, address, and contact information for Permittee's appraiser and written confirmation that Permittee's appraiser has agreed to be bound by the requirements of this Permit to the same extent as Permittee. Permittee understands that Green Diamond may not agree to sell the property for the appraised value assigned to the property by the Permittee's appraiser, and nothing in this Permit may be construed as an agreement by Green Diamond to sell the Permit Area.

IV. **Confidentiality.**

A. Green Diamond may provide Permittee with confidential information, including documentary materials. The confidential information and materials ("Confidential Evaluation Information") may include trade secrets and other confidential and proprietary information relating to Green Diamond and the Permit Area. Green Diamond makes no representations as to the accuracy or reliability of the Confidential Evaluation Information. Nothing in this Permit shall be construed as a guarantee of the quality or value of the Permit Area. Permittee acknowledges that it has an independent duty to verify the accuracy and reliability of the Confidential Evaluation Information and to develop an independent appraisal or evaluation of the value of the Permit Area. If requested by Permittee, Green Diamond may provide LiDAR information owned by Green Diamond subject to a separate agreement governing the limited license to use such information.

B. Permittee agrees to keep confidential the Confidential Evaluation Information, and shall disclose the Confidential Evaluation Information only to those personnel of Permittee or its contractor(s) who have a need to know such information, and shall use the Confidential Evaluation Information solely for the purpose of performing the Permittee Project. Permittee will show this Permit to its personnel and contractors involved in the Permittee Project and having access to the Confidential Evaluation Information. Permittee will be responsible for any breach of this Permit by itself or its contractors and their respective members, officers, owners, or employees.

C. For purposes of defining the obligations of Permittee under this Permit, Confidential Evaluation Information shall not include:

1. Information that is or becomes publicly available other than by a breach of this Permit by Permittee;
2. Information that is lawfully disclosed to Permittee by an independent, unaffiliated third party who Permittee reasonably believes was entitled to disclose such information to Permittee;
3. Information that is known to Permittee prior to the date of this Permit, or that Permittee develops independently without use of the Confidential Evaluation Information, as evidenced by the prior written records of Permittee; and
4. Information that Green Diamond discloses to any independent, unaffiliated person or entity without confidentiality restrictions.

D. Notwithstanding anything to the contrary in this Permit, Permittee may disclose Confidential Evaluation Information if required by law, statute, rule or regulation, including any subpoena or other similar form of process. Permittee will provide Green Diamond with prompt prior written notice of any request that Permittee discloses Confidential Evaluation Information (so long as such notice is not prohibited by law), so that Green Diamond may object to the request and/or seek an appropriate protective order, and shall take reasonable and lawful actions to avoid and/or minimize the degree of such disclosure. It is understood and agreed that any objection by Green Diamond to such a request shall not affect Permittee's obligations to produce materials called for by appropriate legal process.

E. At the conclusion of the Activities, Permittee shall:

1. Provide a copy of its appraisal or evaluation for the Permit Area to Green Diamond; and
2. With respect to any Confidential Evaluation Information that are documents listed in the Confidential Evaluation Materials schedule, return to Green Diamond all such Confidential Evaluation Information, or at Green Diamond's option, destroy the Confidential Evaluation Information and represent in writing to Green Diamond that all such Confidential Evaluation Information has been destroyed; provided, however that Permittee may produce an archival set of its working papers, including working papers containing or reflecting Confidential Evaluation Information. Such working papers shall be given to Green Diamond for long-term storage in the event they are needed at some point in the future for additional analyses. After the expiration of this Permit, Green Diamond may elect to destroy these archived working papers at its discretion.

F. Permittee recognizes the confidential and proprietary nature of the Confidential Evaluation Information and acknowledges that, in the event it is determined by a court that a breach of the confidentiality provisions of this Permit has occurred or is likely to occur, Green Diamond will suffer irreparable harm. Accordingly, Green Diamond shall be entitled to seek preliminary and permanent injunctive relief in the event of a breach or threatened breach of this Permit.

V. No Monetary Consideration. There is no fee or other monetary consideration paid by Permittee for access to the Permit Area as described herein.

VI. Employees. It is understood and agreed that no relationship of employer and employee is or shall be deemed to exist either between Green Diamond and Permittee or between Green Diamond and any other person or persons performing labor or services on behalf of Permittee. Permittee shall furnish and be responsible for its own employees, agents and equipment. It is expressly understood that Green Diamond has no authority over Permittee's agents or employees, and any complaint by Green Diamond about Permittee's agents or employees will be brought by Green Diamond to Permittee's attention for resolution by Permittee.

VII. Safety. Permittee shall comply with all applicable federal, state, and local safety and health laws, regulations and standards and if applicable shall operate under a current Injury and Illness Prevention Plan that complies with section 3203 of Title 8 of the California Code of Regulations. Permittee is responsible for safety and health conditions in connection with the Activities and has primary and ultimate responsibility for instructing and supervising its employees on safe work practices. Permittee shall immediately notify Green Diamond and others at the Permit Area whenever Permittee becomes aware of a hazard that Permittee cannot remove or correct immediately.

VIII. Termination.

A. This permit may be revoked by Green Diamond at its discretion.

B. Whether by expiration or earlier termination of this Permit, Permittee shall, at Permittee's cost, restore the Permit Area to the conditions that existed before the Permit. Permittee shall remove all personal property, fixtures and improvements from the Permit Area, and if Permittee fails to do so, Green Diamond shall have the right to make such removal at Permittee's expense, the amount of which Permittee shall pay to Green Diamond on demand, and if Green Diamond so elects, it shall have the right to take possession of and appropriate to itself without payment therefore any property of Permittee, or anyone claiming under Permittee, then remaining on the Permit Area.

GREEN DIAMOND RESOURCE COMPANY

EXHIBIT C
VEHICLE AUTHORIZATION—DISPLAY ON DASH BOARD

Agreement Name:
Number:

Person Issued to:
Address:
Phone Number:

Area to be accessed:

Authorized date(s) of entry:

Purpose for entry:

Permittee or Authorized Representative					
Print		Sign		Date	

Authorized Green Diamond Representative					
Print		Sign		Date	

*If known at permit
issuance, or provide before use:*

Vehicle License No.
Color
Make

To update this form, contact Green Diamond's Administrative Forester at (707) 668-4479.